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26 August 1954

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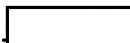


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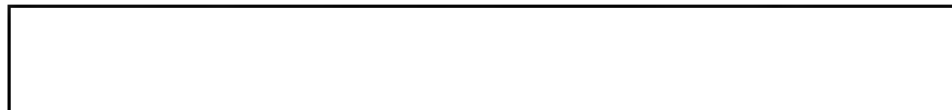
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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DIA and DOS review(s) completed.

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GENERAL

1. Japan to establish diplomatic relations with Vietnam:

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The Japanese government has decided to accept Vietnam's offer to establish formal diplomatic relations, according to Ambassador Allison. A Foreign Ministry official told the American embassy in Tokyo on 24 August that a note announcing Tokyo's readiness to exchange ministers had been sent to Saigon.

Since the Japanese acted on their own initiative and from a desire to contribute to "keeping Vietnam on our side," Allison feels Tokyo would be receptive to suggestions regarding assistance to the Vietnamese government.

Comment: The action indicates Tokyo's willingness to incur the displeasure of Peiping, which seems likely to claim that Japanese recognition of Vietnam, like relations with the Chinese Nationalists, is a major obstacle to better Sino-Japanese relations. Japanese recognition should add to the prestige of Vietnam and encourage Southeast Asian nations to recognize the new regime.

The Vietnamese prime minister has close personal ties with Japan. Like many Vietnamese nationalists he probably looks on the development of Japan-Vietnam trade as a means of reducing Vietnam's dependence on the artificial trade pattern with France. Vietnam is sorely in need of technical aid which Japan could presumably provide.

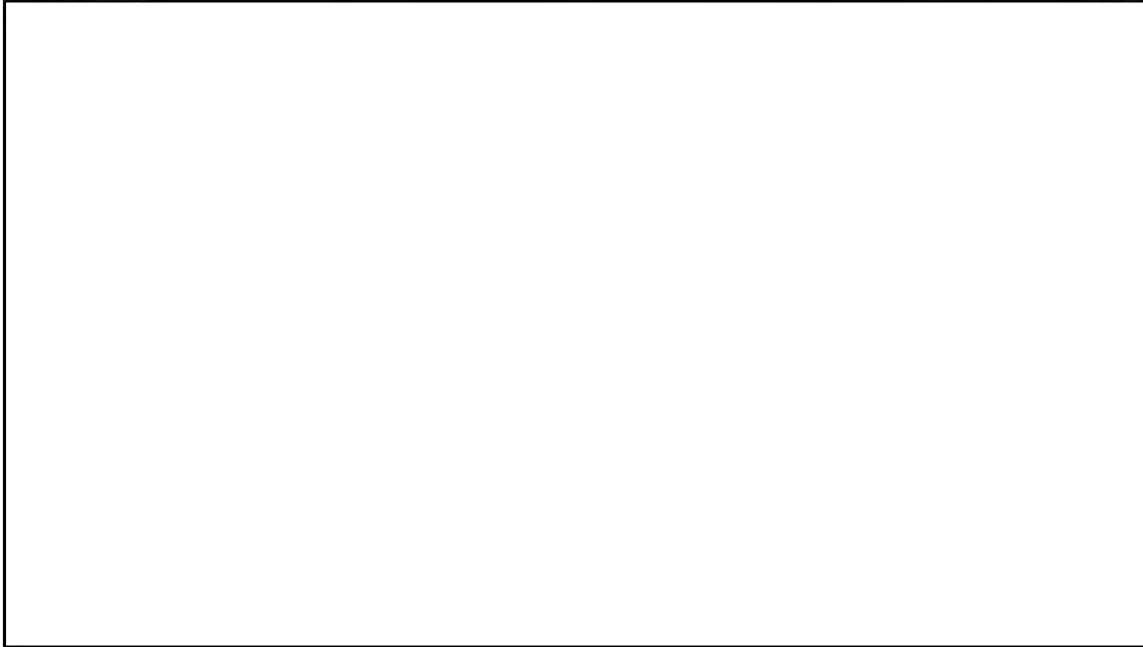
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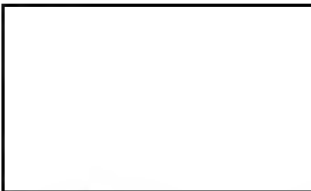
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SOUTHEAST ASIA

3. Indonesian defense minister plans shifts in army commands before elections:

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Air Marshal Suryadarma told the American air attaché in Djakarta on 25 August that Defense Minister Iwa plans to transfer several army territorial commanders who he feels have remained too long in their present areas and need experience in other parts of Indonesia.

The American army attaché comments that Iwa's real reason for the proposed shift is his desire to weaken the control of the present commanders over the troops before the elections in 1955. In the most critical area, West Java, it is reported that a strong anti-Communist leader--Colonel Kawilarang--will be replaced by a comparative unknown.

Comment: The army attaché has also reported rumors in Djakarta that Kawilarang would resist any order for his transfer. The anti-Communist army commanders, particularly

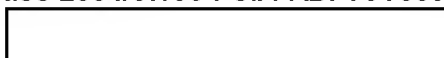
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Colonel Kawilarang, have provided the principal retarding influence on the government's leftist tendencies.

A report of 17 August, however, stated that inertia pervaded the Indonesian army and that anti-Communist elements in it were capable of only token resistance to the disruptive moves of pro-Communist Defense Minister Iwa.

NEAR EAST - AFRICA

4. Nasr counting on extensive American aid:

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Egyptian prime minister Nasr is counting on receiving at least \$50,000,000 in American economic aid this year and an equal amount of military aid.

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Comment: According to present allocations, Egypt will be offered \$20,000,000 in economic assistance and an equal amount of military aid.

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Nasr's disappointment in the extent of American aid, after two years of anticipation, together with extremist opposition to the Suez settlement, may lead him again to threaten to adopt a neutralist position as a lever in bargaining with the West.

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WESTERN EUROPE

5. Defeatism and anti-Americanism reported growing in West Germany:

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[redacted] the EDC impasse, plus the defections of Otto John and Schmidt-Wittmack to the East, is bolstering a latent belief of many West Germans that a totalitarian system will eventually defeat democracy.

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[redacted] there is a definite anti-American and antidemocratic trend in the Federal Republic, particularly among student groups, which proclaim that the Germans must deal with Moscow. The Germans are rapidly losing faith in Europeanization, and the Christian Democratic Party fears it will lose substantially to rightist parties in the forthcoming state elections. [redacted]

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Comment: Barring French acceptance of EDC, the sentiments described will persist and deepen until Chancellor Adenauer is able to devise a new and workable pro-Western policy.

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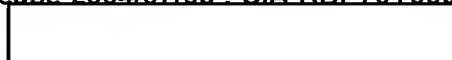
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LATIN AMERICA

8. Guatemalan situation reported worsening:

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[redacted] Guatemalan junta president Castillo Armas is showing "little political sense," is ignoring his collaborators of previous days, and is surrounded by "highly suspicious opportunistic persons," [redacted] Castillo reportedly still distrusts Colonel Monzon, believing that he was responsible for the revolutionary attempt of 2 August.

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[redacted] certain government figures and other anti-Communists are facing a dilemma. They feel they can support Castillo up to a certain point, but that a break with him might play into the hands of the army or possibly the Communists.

Comment: Castillo possesses popular appeal but little organized support of unquestioned loyalty. He is seeking to establish his personal control of the army, through the re-assignment of officers and the integration of his loyal followers, and thereby reduce his dependence on Monzon, the only regular army representative on the three-man junta.

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